

Message Text

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TO USDEL SECRETARY PRIORITY

S E C R E T STATE 041521 TOSEC 040134

NODIS

FOL RPT LUSAKA 0427 ACTION SECSTATE 20 FEB.

QUOTE

S E C R E T LUSAKA 0427

NODIS

FOR ASST SECY SCHAUFEE

EO 11652: XGDS-1

TAGS: PFOR ZA AO US

SUBJECT: MESSAGE TO KAUNDA AND ASSISTANCE TO ZAMBIA

REF: STATE 8680

1. FORTY EIGHT HOURS HAVE PASSED SINCE I PUT IN MY
BID TO CHONA FOR APPOINTMENT WITH KAUNDA TO DELIVER
MESSAGE IN REFTEL BUT THIS HAS BEEN INORDINATELY BUSY
PERIOD FOR BOTH WITH A SERIES OF INCOMING AND OUTGOING
AMBASSADORS, SAVIMBI'S VISIT, AND KAUNDA'S MAJOR PRESS
CONFERENCE THIS MORNING. IT IS POSSIBLE I MAY BE SUMMONED
TO STATE HOUSE OVER WEEKEND. MEANWHILE, AS IS CUSTOMARY
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AS WELL AS REQUESTED IN THIS INSTANCE, I PROVIDED CHONA

WITH GIST OF MAIN THRUST OF MESSAGE SO THAT KAUNDA WILL BE PREPARED TO GIVE PRECISE RESPONSE WHENEVER WE DO MEET. SOME ANSWERS, E.G., ON RELATIONS WITH MPLA AND UNITA, HAVE ALREADY BEEN GIVEN PUBLICLY (SEPTELS).

2. WHEN I DO SEE KAUNDA MAY I GIVE HIM INDICATION IN MOST GENERAL TERMS OF RESPONSE RECEIVED THUS FAR FROM OUR ALLIES IN EEC? WILL I BE AUTHORIZED, FOLLOWING MY MEETING WITH KAUNDA, TO APPROACH MY DIPLOMATIC COLLEAGUES HERE FROM EEC COUNTRIES, PLUS JAPANESE AND CANADIANS, AND BEGIN COORDINATE WITH THEM? BELIEVE IT IMPORTANT THAT WE ALL SEND BACK TO HEADQUARTERS CONSISTENT STORY ON ZAMBIA'S ACTUAL ECONOMIC SITUATION AND NEEDS, ASSUMING WE CAN ASSEMBLE NEEDED DATA.

3. AM TROUBLED THAT GRZ, WHICH SO ACCUSTOMED TO RELYING ON TECHNICAL EXPERTISE OF IMF, IBRD AND UNDP TO ARTICULATE ITS ECONOMIC ASSISTANCE NEEDS, MAY FLOUNDER AT SUGGESTION THEY ASSUME FULL RESPONSIBILITY FOR COORDINATING DONOR ACTIVITIES. IT WILL BE RECALLED THAT UN SYG APPOINTED SIR ROBERT JACKSON BOLSTERED BY UN TEAM TO DO THIS FOR ZAMBIA DURING TRANSPORT EMERGENCY IN EARLY 1973. (WE UNDERSTAND JACKSON HAS JUST SENT OUT FEELERS TO UNDP RESREP HERE ON HOW UN MIGHT HELP. THIS SEEMS IRONIC IN VIEW OF UNDP FINANCIAL PROBLEMS.) WITH ALL DUE RESPECT TO JACKSON FOR HIS NOBLE COORDINATING EFFORTS IN PAST AND SAVOIR FAIRE WITH AFRICANS, WE ARE NOT SUGGESTING HIM NOW AS A CENTRAL FOCUS, BUT DO BELIEVE SOME PROMINENT WESTERN FIGURE, SUPPORTED BY UNDP OR OTHER INTERNATIONAL TEAM, POSSIBLY MIXED, MAY BE NEEDED TO EFFECTIVELY BRING COORDINATION TASK OFF WITHIN LIMITED TIME AVAILABLE AND GIVEN MAGNITUDE OF ZAMBIAN NEEDS.

4. HAS DEPT GIVEN ANY THOUGHT TO THIS CONTINGENCY? COULD OECD AND/OR EEC BE APPROACHED ON MATTER? BECAUSE OF PROBLEMS WHICH ZAMBIA HAS BEEN HAVING WITH IMF AND IBRD WE DO NOT SUGGEST THEM FOR A LEADERSHIP ROLE, ALTHOUGH OF COURSE THEY MIGHT FIGURE PROMINENTLY AS PARTICIPANTS.

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5. LOCAL BANKING SOURCE TELLS ME ZAMBIA HAS AN IMMEDIATE CASH NEED OF \$250 MILLION TO COVER OVERDRAFTS AGAINST LETTERS OF CREDIT FOR IMPORTS LANDED, SOLD, EN ROUTE AS ORDERED. CONCEIVABLY THE MOST LOGICAL SOURCE OF FINANCING FOR THIS IMMEDIATE NEED WOULD BE A SYNDICATED COMMERCIAL BANK LOAN OF MEDIUM TERM DURATION (3-5 YEARS) WITH 18-24 MONTH MORATORIUM ON REPAYMENT. SUCH A LOAN WOULD PROBABLY REQUIRE GUARANTEE OF GRZ. COMMERCIAL

BANKING SOURCES TELL US ZAMBIA IS AT END OF ITS ROPE WITH THEIR PRINCIPALS IN LONDON AND NEW YORK AFTER A SERIES OF 90-DAY LOANS WHICH SIMPLY CANNOT BE ROLLED OVER ANY LONGER AND WHICH ZAMBIA CANNOT PAY.

6. HAS DEPT TAKEN ZAMBIA'S IMMEDIATE FINANCING NEEDS INTO CONSIDERATION AND HAVE ANY DISCUSSIONS BEEN HELD WITH COMMERCIAL BANKS IN NEW YORK? UNDERSTAND KUWANI DISAPPOINTED WITH RESULTS THERE AND IS NOW GOING FROM WEST GERMANY TO JAPAN SEEKING HELP.

7. UNTIL NOW AND TIME COPPER PRICES IMPROVE, ZAMBIA HAS ADDITIONAL FOREIGN EXCHANGE NEED FOR \$500 MILLION WHICH APPARENTLY WOULD BE TARGET OF COORDINATED ASSISTANCE BEING SOUGHT AMONG FRIENDLY COUNTRIES IN WEST.
WILKOWSKI

UNQUOTE INGERSOLL

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